# Before the FEDERAL COMMUNICATIONS COMMISSION Washington, D.C. 20554

In the Matter of	)	
	)	
Application by SBC Communications, Inc.	)	WC Docket No. 03-167
for Authorization to Provide In-Region	)	
InterLATA Services in the States of	)	
Illinois, Indiana, Ohio, and Wisconsin	)	

## COMMENTS OF THE OHIO CONSUMERS' COUNSEL

Respectfully submitted,

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### TABLE OF CONTENTS

Page

I.	SUMMARY1	
Π.	WITHOUT CONTINUATION OF AN AFFORDABLE UNE-P AND ITS RESULTANT LOCAL COMPETITION, SBC'S ENTRY INTO THE LONG DISTANCE MARKET IS NOT IN THE PUBLIC INTEREST	
III.	SBC OHIO'S OSS HAVE NOT BEEN FOUND TO BE SUFFICIENTLY RELIABLE	
IV	CONCLUSION 13	

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### COMMENTS OF THE OHIO CONSUMERS' COUNSEL

#### I. SUMMARY

Robert S. Tongren, in his capacity as the Ohio Consumers' Counsel ("OCC") on behalf of the residential customers of SBC Ohio, submits these Comments on the Application of SBC Communications, Inc. ("SBC") submitted on July 17, 2003 in the above-referenced proceeding. Pursuant to 47 U.S.C. § 271, SBC seeks authority to provide in-region interLATA services in four states: Illinois, Indiana, Ohio and Wisconsin. The Federal Communications Commission ("FCC") has requested comment. The OCC urges the FCC to reject SBC's Application at this time.

SBC claims that its Application "marks the culmination of years of collaborative work" by the SBC companies, the public service commissions of the four states "and many local carriers to establish the framework for local competition in Illinois, Indiana,

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<sup>&</sup>lt;sup>1</sup> The OCC is the statutory representative of Ohio's residential utility customers. See Ohio Rev. Code Chapter 4911.

<sup>&</sup>lt;sup>2</sup> FCC Public Notice, WC Docket No. 03-167, DA 03-2344 (issued July 17, 2003).

Ohio and Wisconsin."<sup>3</sup> To support its Application, SBC points to recommendations from the four public service commissions and several affidavits from SBC employees. SBC urges the FCC to view the Application through the "lens" of the "vibrant competition" in these four states.<sup>4</sup>

In reality, the competitive "framework" in these states is fragile. The "lens" of "vibrant competition" is continually being chipped and cracked by SBC's ongoing efforts to undermine the most crucial element for continued competition – the unbundled network element platform ("UNE-P"). Without an affordable UNE-P, the competition upon which SBC's Application is dependent will evaporate. Further, competition in these states is dependent on SBC's operational support systems ("OSS"), which have not yet been shown to be reliable under the military-style testing procedures that SBC agreed would be the basis for judging its OSS.

The addition of SBC into an already competitive long distance market, at the expense of newly developed local service competition in Ohio, is not in the public interest. The FCC should reject the Application as filed.

# II. WITHOUT CONTINUATION OF AN AFFORDABLE UNE-P AND ITS RESULTANT LOCAL COMPETITION, SBC'S ENTRY INTO THE LONG DISTANCE MARKET IS NOT IN THE PUBLIC INTEREST.

Most of the local service competition in all four states involved in this proceeding is dependent on an affordable UNE-P. The UNE-P is especially critical to competitive local exchange carriers ("CLECs") providing local service in Ohio. SBC's own numbers

2

<sup>&</sup>lt;sup>3</sup> See Application, Executive Summary at i.

<sup>&</sup>lt;sup>4</sup> *Id.* at 3.

show that approximately 94.9% of the residential local competition in Ohio is served through the UNE-P.<sup>5</sup> In addition, Deborah Heritage, Director of Compliance for SBC Midwest, acknowledges, "[T]he provisioning of UNE-Ps to CLECs by Ohio Bell exceeds the volumes provisioned in every state for which long distance relief has been granted, at the time their 271 Application was filed."

In reviewing SBC Michigan's long distance application, the Michigan Public Service Commission ("MPSC") recognized the importance of the UNE-P to local competition:

[T]he overwhelming evidence shows that the competitive market is thriving in Michigan. These conclusions, however, are based on our recognition of the fact that the Michigan competitive market is significantly dependent on the availability of the Unbundled Network Element Platform. Elimination or severe curtailment of UNE-P will, we believe, adversely impact our competitive market.<sup>7</sup>

The MPSC's view has been confirmed in Illinois, where the UNE-P rates were nearly doubled through SBC's legislative tactics.<sup>8</sup> As a result, at least one CLEC has decided to delay entry into the Illinois local service market.<sup>9</sup>

<sup>&</sup>lt;sup>5</sup> Table 2 of the Ohio Affidavit of Deborah O. Heritage submitted with the Application shows that CLECs serve approximately 494,000 residential lines in Ohio. Ms. Heritage also estimates that CLECs serve approximately 463,173 residential lines (94.9%) via UNE-P. Application, Heritage Ohio Affidavit, Attachment E at 2.

<sup>&</sup>lt;sup>6</sup> Application, Heritage Ohio Affidavit at 6.

<sup>&</sup>lt;sup>7</sup> In the Matter, on the Commission's Own Motion, to Consider SBC's, f/k/a Ameritech Michigan, Compliance with the Competitive Checklist in Section 271 of the Federal Telecommunications Act of 1996, MPSC Case No. U-12320, Report of the Michigan Public Service Commission (January 13, 2003) at 3 (available at http://www.cis.state.mi.us/mpsc/orders/comm/2003/u-12320m271report.pdf).

<sup>&</sup>lt;sup>8</sup> See "SBC-Backed Legislation Doubling UNE Rates in Illinois Sparks CLEC Exit, SBC Investment," Telecommunications Reports, June 1, 2003, at 5. The increase has been stayed. See *Voices for Choices v. Illinois Bell Tel. Co.*, No 03-C-3290 (N.D. Ill. June 9, 2003).

<sup>&</sup>lt;sup>9</sup> Telecommunications Reports, June 1, 2003, at 5.

The MPSC made its recommendation for FCC approval of SBC Michigan's § 271 application contingent upon continuation of the UNE-P in Michigan. Unfortunately, the public service commissions of the four states that are the subject of the instant Application have not followed Michigan's conclusion, often without explanation. The Public Utilities Commission of Ohio ("PUCO"), for example, did not address the UNE-P issue, even though the issue was presented in the Ohio § 271 proceeding. 11

In the meantime, SBC continues its effort to thwart competition by undermining the UNE-P. Many of the public service commissions in the former Ameritech states conducted painstaking reviews of SBC costs for the UNE-P and arrived at cost-based rates that have helped spur local service competition in their states.<sup>12</sup> SBC has filed for significant increases in those rates, often soon after the rates became effective.<sup>13</sup>

In at least one instance, SBC has used its political clout in a state legislature to get its way on UNE-P. SBC's efforts to bypass the Illinois Corporation Commission by

<sup>&</sup>lt;sup>10</sup> See note 7, *supra*.

<sup>&</sup>lt;sup>11</sup> See *In the Matter of the Further Investigation Into Ameritech Ohio's Entry Into In-Region InterLATA Service Under Section 271 of the Telecommunications Act of 1996*, PUCO Case Nos. 96-702-TP-COI and 00-942-TP-COI, ("PUCO Case No. 00-942-TP-COI"), Order (June 26, 2003) at 4 (available at <a href="http://dis.puc.state.oh.us/CMPDFs/A91S@LY\$N7IYZ7+6.pdf">http://dis.puc.state.oh.us/CMPDFs/A91S@LY\$N7IYZ7+6.pdf</a>). At the initiation of the proceeding, SBC Ohio was known as Ameritech Ohio.

<sup>&</sup>lt;sup>12</sup> For example, the PUCO's proceeding to set SBC Ohio's UNE rates took more than five years. See *In the Matter of Review of Ameritech Ohio's Economic Costs for Interconnection, Unbundled Network Elements and Reciprocal Compensation for Transport and Termination of Local Telephone Traffic, PUCO Case No. 96-922-TP-UNC, Entry on Rehearing (January 31, 2002) (available at <a href="http://dis.puc.state.oh.us/CMPDFs/SIC1VC92LBIFWWFY.pdf">http://dis.puc.state.oh.us/CMPDFs/SIC1VC92LBIFWWFY.pdf</a>)* 

<sup>&</sup>lt;sup>13</sup> For example, only four months after the PUCO had set UNE rates, SBC Ohio filed a request to double its UNE rates. See *In the Matter of the Application of Ameritech Ohio for Review of TELRIC Costs for Unbundled Network Elements*, PUCO Case No. 02-1280-TP-UNC, SBC Ameritech Ohio's Application for Approval of Unbundled Network Element Prices (May 31, 2002) (available at <a href="http://dis.puc.state.oh.us/CMPDFs/DX6MNTNMF5JLDZLH.pdf">http://dis.puc.state.oh.us/CMPDFs/DX6MNTNMF5JLDZLH.pdf</a>).

obtaining a hasty, one-sided and uninformed legislative decision on UNE-P have been well-reported in the press. 14 SBC has threatened to do the same in other states. 15

In fact, SBC has blatantly declared its plans to obstruct competition through its state-by-state attack on the UNE-P. After SBC successfully used its political clout with the Illinois legislature, SBC President William Daley stated that, once the FCC's triennial review order has been issued, "most of the attention will turn back to the states, and that's where the damage can be done." The remedy plan under which SBC is operating in the four states does not address this type of harm to competition.

An affordable UNE-P has been the most influential factor in the development of local service competition in the four states that are the subject of the instant Application. Without continuation of an affordable UNE-P, local competition for residential customers will evaporate. The absence of a requirement that SBC continue the UNE-P at present rates should compel the FCC to find that the Application is not in the public interest and to reject it as filed.

#### III. SBC OHIO'S OSS HAVE NOT BEEN FOUND TO BE SUFFICIENTLY RELIABLE.

In addition to the public interest test of 47 U.S.C. § 271(d)(3)(C), as part of the fourteen-point checklist of 47 U.S.C. § 271(c)(2)(B), SBC is specifically required to have reliable OSS.<sup>17</sup> Key components of testing of SBC's OSS are incomplete. On June 1,

<sup>&</sup>lt;sup>14</sup> See, e.g., Telecommunications Reports, June 1, 2003, at 5.

<sup>&</sup>lt;sup>15</sup> See *id*. at 6.

<sup>&</sup>lt;sup>16</sup> *Id* 

<sup>&</sup>lt;sup>17</sup> See, e.g., In the Matter of Application Ameritech Michigan Pursuant to Section 271 of the Communications Act of 1934, as Amended, to Provide In-Region, InterLATA Services in Michigan, CC Docket No. 97-137, Memorandum Opinion and Order (adopted August 19, 1997) at 69, ¶ 133.

2000, the PUCO adopted SBC Ohio's proposed "military-style" approach to the testing of its OSS. The military-style testing was developed through a collaborative involving SBC Ohio, the OCC, CLECs and other parties. Under this approach, OSS testing would not conclude until all components of the test had been met. <sup>20</sup>

At the time, the PUCO stated that any recommendation it would make regarding SBC Ohio's compliance with § 271 would be made only *after* completion of the third-party testing of SBC Ohio's OSS. The PUCO declared, "We believe that the *final* result of the third-party test will help us determine whether [SBC] Ohio is in compliance with the requirements of Section 271 of the 1996 Act."

The PUCO agreed with the collaborative that KPMG, now known as BearingPoint, would conduct the testing.<sup>22</sup> The PUCO also agreed that BearingPoint would conduct a common OSS test for the entire five-state region formerly served by Ameritech.<sup>23</sup>

The military-style testing has proceeded for more than two years and is still not complete.<sup>24</sup> Nevertheless, the PUCO has chosen to abandon the approach it had ordered in June 2000, opting instead to allow SBC Ohio to submit compliance plans for the completion of the remaining portions of the test.<sup>25</sup> The PUCO did not offer an

<sup>&</sup>lt;sup>18</sup> PUCO Case No. 00-942-TP-COI, Entry (June 1, 2000) at 7 (available at http://dis.puc.state.oh.us/CMPDFs/EN9S0Y9LQ+XSPXMV.pdf).

<sup>&</sup>lt;sup>19</sup> *Id*.

 $<sup>^{20}</sup>$  Id

<sup>&</sup>lt;sup>21</sup> *Id.* at 5 (emphasis added).

<sup>&</sup>lt;sup>22</sup> *Id.* at 4.

<sup>&</sup>lt;sup>23</sup> *Id*. at 5.

<sup>&</sup>lt;sup>24</sup> See PUCO Case No. 00-942-TP-COI, Order (June 26, 2003) at 7.

<sup>&</sup>lt;sup>25</sup> *Id.* at 8-9.

explanation for this change in its Order, merely referring to the Report and Evaluation.<sup>26</sup> The Order did not specify which portion of the 299-page Report and Evaluation supports the proposition that *post hoc* compliance plans are more appropriate than the previously adopted military-style testing.

In what appears to be the most relevant portion of the Report and Evaluation, the PUCO asserted that SBC Ohio's inability to pass the performance measurement review ("PMR") does not show that SBC Ohio has failed the OSS test: "The PUCO submits that SBC Ohio's inability to currently satisfy specific PMR test criteria is not indicative of SBC Ohio's failure of the third-party test, but rather signifies that additional improvements are necessary to ensure future quality, reliability, and integrity of the performance metrics data." This, however, is a distinction without a difference; if improvements are needed to ensure the data's future quality, reliability and integrity, the present system must be faulty.

Rather than requiring SBC Ohio to complete satisfactorily the testing of these "critical aspects of the PMR test domain" before recommending § 271 approval, as required by the June 2000 Order, the PUCO relegated the resolution of key OSS functionality issues to compliance plans.<sup>28</sup> The PUCO's reliance on these compliance plans is misguided.

The PUCO has acknowledged that testing has yet to be completed on the following portions of the PMR:

<sup>&</sup>lt;sup>26</sup> *Id*. at 6.

<sup>&</sup>lt;sup>27</sup> Report and Evaluation, Appendix A at 19.

<sup>&</sup>lt;sup>28</sup> *Id.* at 8.

- PMR1, the evaluation of SBC Ohio's policies for the collecting and storing of source data utilized in the computation of performance metrics;
- PMR4, the evaluation of SBC Ohio's overall policies and practices for data processing and performance metrics production; and
- PMR5, the comparative analysis of the rules that SBC Ohio uses to compute performance metrics and BearingPoint's implementation of the PUCOapproved business rules for wholesale and retail data.<sup>29</sup>

The PUCO termed these functions as "critical aspects" of the OSS testing.<sup>30</sup> Among the OSS functionality issues that remain unresolved are SBC's performance relative to the timeliness of service order completions, customer service record updates, maintenance and repair, preorder processing timeliness, line loss notification, billing audits and change management processes.

The OSS testing has occurred simultaneously for the five states formerly served by Ameritech. Thus, problems found in one state would be relevant to the performance of SBC OSS in the other four states. For example, in its evaluation of SBC Michigan's most recent § 271 application, the Department of Justice determined that it once again could not support SBC Michigan's entry into the long distance market.<sup>31</sup>

The primary OSS-related reason for the Justice Department's refusal to support SBC Michigan's application is the accuracy of the company's wholesale billing.<sup>32</sup> The Justice Department noted, "Although SBC continues to address specific billing errors as

<sup>&</sup>lt;sup>29</sup> *Id.*, Appendix A at 8.

<sup>&</sup>lt;sup>30</sup> *Id*.

<sup>&</sup>lt;sup>31</sup> See *In the Matter of Application by SBC Communications Inc., Michigan Bell Telephone Company, and Southwestern Bell Communications Services, Inc. for Provision of In-Region, InterLATA Services in Michigan,* WC Docket No. 03-138, Evaluation of the United States Department of Justice (July 16, 2003) at 2.

 $<sup>^{32}</sup>$  Id

they arise, the number of those errors and the reasons they have occurred suggest that there may be an underlying problem."<sup>33</sup> The Justice Department observes that the problem may lie "in the underlying databases from which bills are calculated and in the processes by which data is entered into and extracted from those databases. Michigan's performance metrics do not test for billing problems at this level."<sup>34</sup>

Possible new performance metrics for billing are being debated.<sup>35</sup> However, it may be months before changes may be implemented and analyzed.<sup>36</sup>

Inaccurate billing is detrimental to CLECs, and thus serves as a disincentive to competition. This Commission has found that inaccurate billing

diverts resources to bill reconciliation and correction, hampers CLEC ability to raise capital because improper overcharges are carried on the CLECs' financial reports, diminishes CLEC capacity to adjust prices and expenses in response to competition, and deprives CLECs of revenue because they are unable to back-bill previously undercharged end-users.<sup>37</sup>

In its latest proceeding regarding § 271 approval in Michigan, the MPSC had allowed SBC Michigan to submit a compliance plan to address billing audit issues.<sup>38</sup> Five months later, problems still persist.

In her Separate Opinion to the Order accompanying the PUCO's Report and Evaluation, PUCO Commissioner Judith Jones questioned why the PUCO should

<sup>&</sup>lt;sup>33</sup> *Id*. at 8.

<sup>&</sup>lt;sup>34</sup> *Id.* at 9 (footnotes omitted).

<sup>&</sup>lt;sup>35</sup> *Id.* at 9, n. 44.

<sup>&</sup>lt;sup>36</sup> *Id*.

<sup>&</sup>lt;sup>37</sup> In the Matter of Application of Verizon Pennsylvania Inc., Verizon Long Distance, Verizon Enterprise Solutions, Verizon Global Networks Inc., and Verizon Select Services, Inc. for Authorization to Provide In-Region, InterLATA Services in Pennsylvania, Memorandum Opinion and Order, 16 FCC Rcd 17419 (2001), ¶ 23.

<sup>&</sup>lt;sup>38</sup> See *id*. at 4.

recommend approval of § 271 relief for SBC Ohio before SBC has passed the agreed-upon military-style OSS testing.<sup>39</sup> Commissioner Jones observed, "I disagree with the majority's determination that SBC's OSS is satisfactory for the purpose of Section 271 approval. Their determination is undermined by the [PUCO's] own findings...."

The PUCO placed great reliance on the penalties generated by the Texas Remedy Plan to ensure SBC's compliance with the remainder of the OSS testing schedule and to prevent backsliding.<sup>41</sup> The PUCO's reliance was misplaced. During the first five months of this year alone, SBC has paid more than \$12.5 million for failing to meet wholesale performance requirements in the four states that are the subject of this proceeding:<sup>42</sup>

Illinois	\$10,757,668
Indiana	\$708,175
Ohio	\$1,010,512
Wisconsin	\$119,242
TOTAL	\$12,595,597

Nevertheless, problems with SBC's OSS persist. Obviously, the payments being made by SBC are inadequate to spur SBC to make its OSS meet the performance measurements. SBC is more willing to pay the penalties than correct the problems. As PUCO Commissioner Jones observed, "History indicates that SBC Ohio merely budgets for civil forfeitures levied by the PUCO or the FCC."

<sup>&</sup>lt;sup>39</sup> PUCO Case No. 00-942-TP-COI, Order, Separate Opinion of Commissioner Judith A. Jones Concurring in Part and Dissenting in Part (June 26, 2003) ("Jones Opinion") at 2 (available at http://dis.puc.state.oh.us/CMPDFs/A91S@LY\$N7IYZ7+6.pdf).

<sup>&</sup>lt;sup>40</sup> *Id.* at 1.

<sup>&</sup>lt;sup>41</sup> Report and Evaluation at 250-51.

<sup>&</sup>lt;sup>42</sup> Source: www.voicesforchoices.com/voices/media/sbc.pdf (accessed July 28, 2003).

<sup>&</sup>lt;sup>43</sup> Jones Opinion at 2.

SBC affiant James D. Ehr highlighted – undoubtedly unintentionally – the inadequacies of Ohio's current remedy plan. 44 The current remedy plan is outdated and inadequate. It is based on the 2000 Texas plan and has not been changed in the ensuing three years. The CLECs have argued at the PUCO on numerous occasions that the remedy plan requires alterations, but to no avail. Mr. Ehr provides some of the timeline: On January 25, 2001, the PUCO issued a ruling deferring consideration of a change in the existing performance remedy plan. On December 20, 2001, the PUCO punted once again on addressing the remedy plan stating, "With respect to the remedy plan, the Commission stated that it is not prepared at this time to speak to the manner in which this matter should be addressed. The Commission [will] issue a subsequent entry pertaining to the Commission's consideration of the remedy plan."<sup>45</sup> On August 27, 2002, several CLECs requested that the PUCO establish a briefing schedule to address the CLECs' proposed remedy plans and that the FCC should ultimately adopt a permanent remedy plan for SBC Ohio. On January 30, 2003, the PUCO declined once again to address modifications to the remedy plan stating that "consideration of replacing the existing remedy plan should not occur in the context of this [§ 271] case."<sup>46</sup> The PUCO reserved the right to open a new proceeding for continuing review of SBC Ohio's remedy plan, <sup>47</sup> but has yet to do so.

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<sup>&</sup>lt;sup>44</sup> See Application, Ohio Affidavit of James D. Ehr at 11-12.

<sup>&</sup>lt;sup>45</sup> PUCO Case No. 00-942-TP-COI, Entry (December 20, 2001) at 7, n. 6 (available at <a href="http://dis.puc.state.oh.us/CMPDFs/ZDII+OCQF@VRN43I.pdf">http://dis.puc.state.oh.us/CMPDFs/ZDII+OCQF@VRN43I.pdf</a>).

<sup>&</sup>lt;sup>46</sup> PUCO Case No. 00-942-TP-COI, Entry (January 30, 2003) at 10 (available at http://dis.puc.state.oh.us/CMPDFs/YQZLEEGVEEITG3T1.pdf).

<sup>&</sup>lt;sup>47</sup> *Id*.

This series of events directly contradicts Mr. Ehr's statement that the PUCO has considered the appropriate input of the CLECs in developing a Performance Remedy Plan that provides sufficient protections against "backsliding" on a post-entry basis. 48 The current SBC Ohio remedy plan is inadequate and deficient; such a remedy plan alone is sufficient support for rejection of SBC's application.

SBC would have the FCC rely on the review of OSS performance data conducted for SBC by Ernst & Young (also referenced as "E&Y"). SBC asserts that Ernst & Young's review "was substantially more comprehensive" than the audit it conducted as part of SBC's § 271 application in Missouri in 2000.<sup>49</sup> SBC would have the Ernst & Young review stand in place of the third-party testing conducted by BearingPoint:

It is clear, therefore, that, standing alone, the E&Y audit should be more than adequate to satisfy this Commission's interest in having a third-party test of the BOC applicants' performance-measurement processes and results.<sup>50</sup>

The FCC should reject SBC's assertion. The PUCO, despite its erroneous conclusions concerning SBC's Application, has described the inadequacy of the Ernst & Young review:

The PUCO believes that the E&Y audit is not a substitute for BearingPoint's PMR1, PMR4 and PMR5 modules of the PMR test domain. The E&Y testing approach for data integrity, reliability, and accuracy does not include the stringent requirements of the PMR test criteria per the Ohio [Master Test Plan]. A review of SBC Ohio's highly complex source code (E&Y's approach), for example, is not equivalent to BearingPoint's approach of independently developing its own source code. Additionally, neither the PUCO nor its staff were involved in the selection of

12

<sup>&</sup>lt;sup>48</sup> Ehr Ohio Affidavit, ¶169.

<sup>&</sup>lt;sup>49</sup> Brief in Support of Application at 20.

<sup>&</sup>lt;sup>50</sup> *Id*.

E&Y, the development of the scope of the E&Y audit, or in the administration of the E&Y audit.<sup>51</sup>

The PUCO disagreed that "the E&Y audit provides increased assurance in regard to the integrity, reliability, and accuracy of the commercial data that are presented in the SBC Ohio Ehr Affidavit." The FCC should disregard the Ernst & Young report and any conclusions that SBC has based on it.

SBC has reneged on its commitment to military-style OSS testing. Because SBC cannot pass the third-party test to which it agreed, SBC has offered an inferior substitute approach that provides it with the data it desires. The FCC should not be misled by SBC's sleight of hand, and should reject the Application.

### IV. CONCLUSION

SBC has failed to show that its Application is in the public interest. The addition of yet another entrant into an already-crowded long distance market does not outweigh the public interest benefit in ensuring that the fledgling local service market in Ohio does not wither and die. The fact that the military-style testing of SBC's OSS has not been completed, coupled with the absence of the continuation of an affordable UNE-P, makes uncertain the continued existence of local service competition in Ohio. The FCC should deny the Application at this time.

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<sup>&</sup>lt;sup>51</sup> Report and Evaluation, Appendix A at 27.

<sup>&</sup>lt;sup>52</sup> *Id.* at 28.

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August 6, 2003

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### **CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Comments of the Ohio Consumers' Counsel were served by first class mail, postage prepaid, or by e-mail to the parties identified below this  $6^{th}$  day of August 2003.

/s/ Terry L. Etter

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